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By Thoughts on Public Education.

Q. How are colleges around the country dealing with the challenge of trying to increase higher education enrollment and completion rates while facing huge budget cuts?

MK: We have 6,700 colleges and universities around the country. President Obama has taken a long view and produced a report as part of the state of the union called An America Built to Last. And so on the one hand, we see that more than 80% of states are cutting funding to higher education, K-12. I'm at a campus today, De Anza College where they've had over the last couple of years a 20% budget cut.

And the students keep coming, they keep coming. And, I call Pell grants a huge success story in the short term in the first 2 1/2 years, but when you look at students from the poorest families in the country, and you look at the fact that we've increased college going by having an increase of 50% in college students enrolled in higher education today, in just two and a half years, it says that the demand is unstoppable because people realize that education is going to get them a ticket to a better opportunity in the workforce and in society.

So it's a paradox, as you said, it's a tremendous paradox. I think schools like this and many institutions across the country are doing every thing they can. They're taking students to the extent they can, they're putting them into classes where they would have maybe a vacancy before, they're full now; they've got long waiting lists. They've had to decrease curriculum by many many classes just to balance the budget. California alone had over a 13% decrease in one year.

So these campuses, especially public institutions, can't take it, it's really too hard. What we're doing is we have a huge effort that President Obama has put forward, keeping college affordable. And I can talk about that a little more if you like, but keeping college affordable is a tremendous priority for this country. If we can't keep college opportunity available to everyone who wants an education our country is going to suffer for decades to come.

The first centerpiece of our agenda has been the Pell grant program. So, in the first three years we've increased the Pell grant by over \$800 to a maximum today of \$5,550, and if Congress accepts the President's recommendation to go forward for next fall, students will see a \$900 increase over the past few years.

So that money is going to students from the lowest income families across the counties. It's keeping college affordable for what I call the top 100% of students who want a

college education, not just some, not just the elite students who got an education 30, 40, 50 years ago, but for everyone that sees the value.

And so in addition to that, the loan program, you know students are graduating with an average of \$25,000 in debt after leaving four years of an undergraduate education, even if it takes them longer. And what we want to do is work with states and work with institutions of higher education to constrain the escalating costs that have had the effect of pushing some students out just because they couldn't package enough of the loans and grants that they needed.

So the direct loan program has been significant. Perkins and Stafford loans available to everyone. We were able to actually, by cutting out the middleman which are the lenders and the banks, provide a \$40 billion fund for Pell grants to continue. And even with that, because the demand is so high, in the next couple of years we're going to have to revisit the funding formula for Pell grants, because we need to keep those grants affordable.

We want students to take direct loans. Many students have used credit cards and private loans instead of loans that they could have qualified in the direct loan program. Right now the challenge is, it has been for five years, and it started under the Bush administration, we will finish in July a 3.4% interest rate on a federal direct loan. It's set to double on July 1 and so our president has proposed that we keep that rate at 3.4% and we hope Congress will understand and realize the value of doing that because it's going to be essential for students to continue their education. This would affect first-time freshmen coming in to take new direct loans.

And then, also, we have income contingent repayment plans, which really need a lot more public scrutiny because it's an opportunity students may not know about. For example, students will pay no more if they go into a public service profession like teaching, like firefighting, they want to be a police officer, they want to be a nurse in a county hospital. They would pay no more than 10% of the discretionary income to fulfill their loan obligation. After 120 payments, ten years, their loan is forgiven.

So public service loan forgiveness is another, I think, pinnacle program that we need to talk more about.

Q Gov. Brown is proposing to make it more difficult for students to qualify for some Cal Grants. Are you seeing that elsewhere? And is this something that the Department is paying attention to?

What we want is for states not to curtail state aid to students. So if you look at our proposal that President Obama has made called Race to the Top for College Affordability and completion, we're looking at campus-based aid, and saying can we find ways to incentivize states to maintain their commitment to state aid support for students, package up the money that they do have, grow the money that they do have in some significant and important ways so that they can package that fund with Board of Governor's grants

for example, with scholarship funds, and also the federal funding that will make a whole package for student to participate in higher education.

But it's really tough. A lot of states are cutting back state aid. We want to fight that, we want states to maintain their commitment to state aid for these students because they need that aid. So states are looking at different solutions. The New York legislature has put in place maintenance of effort for public funding of higher education, so that public funding would start with a base of the 11-12 year. They've already done that, and they've looked ahead and said over the next five years they'll increase tuition only up to \$300 a year every year for five years.

That kind of forward thinking allows families to plan. That kind of thinking, and Colorado is looking at that, Maryland is looking at that, ways that we as a federal government can find incentives for states to do those kinds of things, making those kinds of good, I would say predictable, sustainable decisions for long-term financing of education.

And also, colleges can do their part. Colleges can do their part to constrain costs, although here I am at a place that's lost 20 percent of their funding, so that they have already constrained quite a bit, but, and they don't set tuition, in the public institutions, the states have a large role to playing setting tuition. So it really is what are the game changing things we can do at the federal level to help states do the right thing for students?

Q OECD has said that it's not that the United States isn't growing its college enrollment, it's just not growing at the same rate as other countries. Is this a problem or is it being blown out of proportion?

MK: We don't think it's blown out of proportion at all. First of all, we're 16th in the world. We were first in the world in the proportion of college graduates for students 25 to 34 years old a generation ago. Today, half of the students in American higher education are not finishing in six years. But when you look at the pipeline and you look backwards, and you look at the fact that only a third of children are reading at fourth grade level, and only a third of children are prepared for kindergarten, we have a massive pipeline problem.

So what Arne Duncan, Secretary Duncan has done, with our help and the President's leadership, we're looking at multi tasking early learning, K-12 and higher education to increase the through-put of the pipeline for K-12 to higher education and also for all of the people who are adult learners that need to change careers or get a first chance because they've raised kids and done other things.

College is increasingly unaffordable, that's why we have a college affordability goal. But college completion is the centerpiece to what we want to accomplish. So we're seeing that some states are leading the way in college completion. If you look at what Indiana has done, as an example, they have put in a place a set of seven strategies that are

remarkable. And we have other states doing those kinds of things; fixing the articulation between high school and college.

There are two issues that are central to our agenda: Students are taking too long to graduate, so can you really increase quality and shorten time to degree? And can you on the other hand, address the lack of preparation of students for college? So if we can cut remediation in half by putting in better curriculum, having better partnerships between high schools and colleges and universities, and on the other hand, shorten time to degree, we will really have tackled this problem and we'll be able to go from 16 back down to where we were a generation ago.

Q how do we do that in a time when the state portion of higher education is declining and the courses are being cut?

MK: It's going to take what president Obama calls shared responsibility. And what sharing means is that the business community have to step forward with government, with labor, with education, with the other agencies that support the educational success of students and redesign the funding formula for higher education and K-12 so they can be put on stable footing. There is no magic bullet. States have got to look at their priorities and take steps to really stabilize the funding for higher education and K-12 because otherwise our country is going to continue to be in a decline.

Every student we lose, we lose a high school student every 22 seconds, when you look at college, we're losing 50 percent of those students. If we can get them graduated and if we can fix the lack of preparation of students, we will have more productivity and we will have more capacity because we're doing things twice. Students are getting an education, they need more preparation when they come to college, they should be getting what they need in high school.

Adult education is another challenge. We need to bridge adult education and higher education so we don't lose students and help them get better prepared along the way. That again will increase productivity.

So, I'm a proverbial optimist, I'm hopeful that states will do the kinds of things that I mentioned in New York and other states, Indiana, to really take the steps forward to help public education do all that it can and work with private education and for-profit education to do all it can to get all these students graduated.

Q What is California doing right?

I think California is taking steps to look at outcomes, to look at not only who's coming in, but how can we do a better job getting students through and, there again, partnerships between high schools and community colleges, between community colleges and universities, the courses that students take to get an undergraduate education ought to be *pro forma* between the university and the community college systems. California's done right by the early outreach, the Cal State University system has done a great job with

early outreach looking at churches and other areas where parents are to really encourage kids to stay on track.

So California has a lot of right, it just earned an early learning grant for kids zero to third grade to get them more ready for kindergarten and K-12. So there is a lot of promise in California. If California doesn't succeed our country is going to stay in the place that it's been and we can't afford that. So we need California to do even more.